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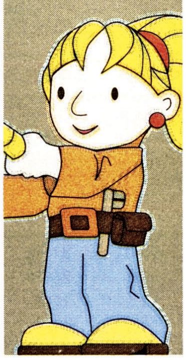

Lucky country rides out global meltdown

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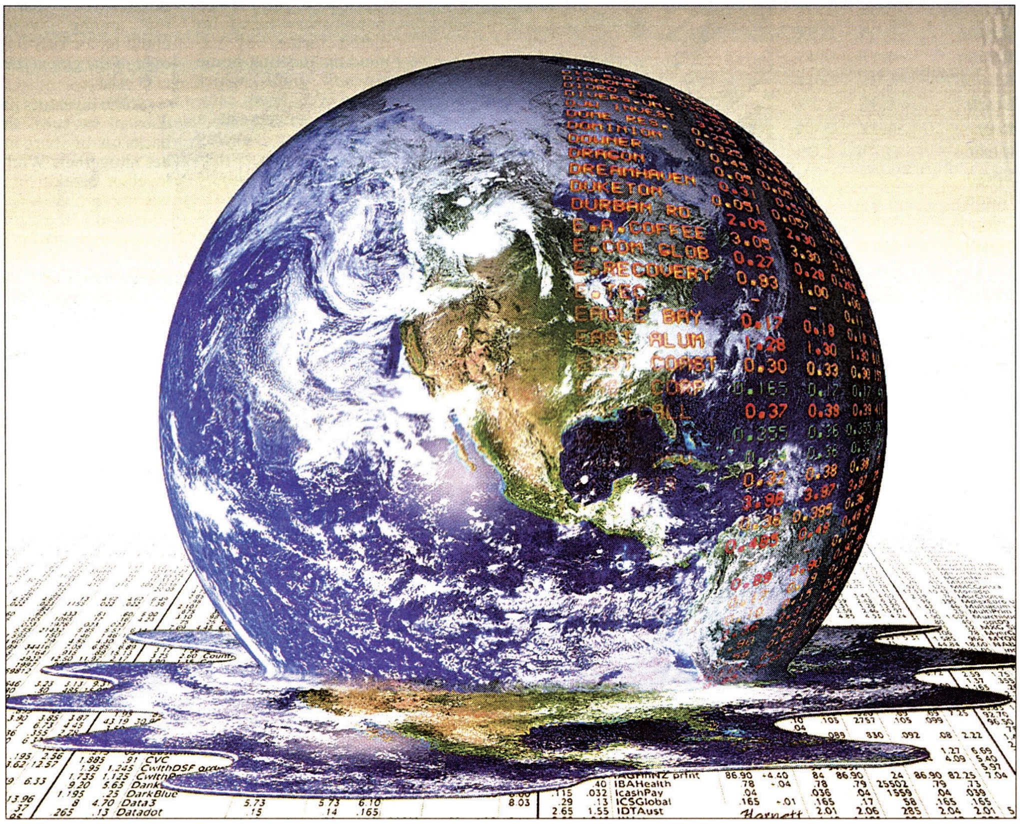

WORLD economies are limping from bad to worse, but Australia remains a lucky country amid the worst downturn since the Great Depression.

Despite a recession and rising unemployment, financial conditions here are better than most major countries and are expected to remain that way.

Corporate collapses are continuing – last week, thousands of investors were hit by the collapse of agribusiness group Great Southern – but the Australian companies hitting the wall are not the blue-chip leaders crumbling elsewhere.

Last month, the International Monetary Fund forecast Australia's economy would shrink 1.4 per cent in 2009, but resume growing at 0.6 per cent next year. This compares favourably with the U.S. (-2.8% and 0%), Germany (-5.6% and -1%) Britain (-4.1% and -0.4%) and Japan (-6.2% and 0.5%).

IMF chief Dominique Strauss-Khan said just over a week ago that "the worst of the economic crisis is probably behind us" but warned that risks remained and the rebound would be more sluggish than past recoveries.

On the unemployment front, the OECD has forecast 10 per cent-plus levels next year for the U.S., Europe and Canada, while this month's Federal Budget predicted Australia's jobless rate would hit a maximum 8.5 per cent in 2011.

Ord Minnett state manager Nick Ross said Australia's relative strength during the downturn related to its position before the global economy unravelled. "We came into the recession with no real government debt at all, and that is the key. That's given us the capacity to pump-prime the economy with government spending," he said.

"In the U.S., the housing market has been a major problem and continues to be the case there, and in the UK as well. We have had an undersupply of some housing in Australia for a number of years because of high immigration rates."

Government first-home owner grants had kept that part of the housing market buoyant, Mr Ross said.

He said Australia might emerge from its recession later this year, but people should not expect strong growth as the world continued to wind back the high debt levels that sparked the global financial crisis.

Adelaide financial strategist Theo Marinis said investors who held their nerve when others panicked would ride out the downturn and "find themselves in a far better position".

"I expect the economic times to become more difficult over the next 12 months or so as the knock-on effect of the GFC washes through the economy," he said.

"The medium and long-term fundamentals have not changed for China and India and their economic development. They will continue to demand increasing amounts of our minerals, services and skills for many decades ahead."

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Australia rides out financial meltdown

GLOBAL GLOOM

Economic growth forecast	2009	2010
U.S.	-2.8%	0.0%
China	6.5%	7.5%
Japan	-6.2%	0.5%
India	4.5%	5.6%
Germany	-5.6%	-1.0%
Russia	-6.0%	0.5%
Britain	-4.1%	-0.4%
France	-3.0%	0.4%
Brazil	-1.3%	2.2%
Italy	-4.4%	-0.4%
Mexico	-3.7%	1.0%
Spain	-3.0%	-0.7%
Korea	-4.0%	1.5%
Canada	-2.5%	1.2%
Turkey	-5.1%	1.5%
Indonesia	2.5%	3.5%
Iran	3.2%	3.0%
Australia	-1.4%	0.6%
Taiwan	-7.5%	0.0%
Netherlands	-4.8%	-0.7%

Source: International Monetary Fund

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Grand Private Equities stockbroker Wesley Legrand said Australia was going through "the best recession in history" because of the massive government handouts since late last year.

He warned that Australia's property price bubble was being inflated further by extending the first-home owners grant, which could yet have catastrophic effects in a deteriorating economy as new homeowners with high debt levels lost their jobs.

Most investors have not escaped the carnage on markets in the past 18 months, with many losing 50 per cent of their assets as the share market halved.

"The causes for the hurt have for the most part not been as a result of investor error, and this is unique, but rather the greatest global margin call in history – the domino selling of every asset regardless of fundamental value, causing huge losses for even the world's billionaires," Mr Legrand said. "Many have lost up to 50 per cent, and remember they are privy to much information that the public is not. The ordinary investor never had a chance."

Mr Legrand and Mr Ross warned the share market's recovery would not be speedy.

"If you take a five-year view, not a 10-second view, there's real value out there," Mr Ross said.

Prescott Securities financial adviser Nick Loxton said a "fear factor" among investors could be a costly hangover of the global financial crisis.

"Some investors have chosen to turn their backs on the share market altogether. While a level of caution in investing is always encouraged, it pays to constantly keep an open mind to opportunities to build your portfolio with well-priced, quality assets," he said.

"With share prices across the board having been severely discounted by the market, there is outstanding value in many proven blue-chip stocks.

"However, because of a culture of fear stemming out of the negative experiences in the past year, some investors are very reluctant to wade back into the market. As such, they may be kissing goodbye to some of the most attractive buying opportunities in recent history."